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FISCAL IMPACT STATEMENT

LS 7500 **NOTE PREPARED:** Jan 1, 2005
BILL NUMBER: SB 258 **BILL AMENDED:**

SUBJECT: School Corporation Insurance.

FIRST AUTHOR: Sen. Kenley **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: This bill allows school corporations to enter into interlocal agreements to: (1) purchase insurance coverage; and (2) establish a cooperative risk management program to provide for coverage of certain risks of the school corporations.

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: The cooperative must send copies of audit reports, by-laws, interlocal agreements, certified financial statements, and other documents to the Commissioner of Insurance and a copy of the audit report to the State Board of Accounts. If the cooperative fails to provide the Commissioner of Insurance and State Board of Accounts with copies of the audit report and financial statements within 180 calendar days after the close of the fiscal year, the cooperative is subject to a civil penalty of $50 per day until the information is provided. The Commissioner may grant an extension of the 180-day requirement. If the cooperative fails to have an audit performed, the Commissioner of Insurance must cause the audit to be performed at the expense of the cooperative. If a cooperative fails to comply, the Commissioner must issue a notice of noncompliance. After a cooperative receives a notice of noncompliance, the cooperative must file with the Commissioner a written request for time to restore compliance and a plan to restore compliance. If the plan is not filed, not approved by the Commissioner, or at the end of one year the cooperative program is not in compliance, the Commissioner may grant additional time to comply, or suspend, limit, or terminate the authority of the cooperative. The Department of Insurance (DOI) may adopt rules to implement the above.

The above provisions will increase administrative expenses for the DOI. However, it is assumed that the DOI will be able to absorb these additional expenses given its current budget and resources.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill could potentially reduce school insurance costs. The impact would depend on the extent schools could jointly purchase insurance or establish cooperative risk management programs. For the 2004 school year, schools spent about $692.2 M on insurance. The expenditures were about $68.1 M greater than the 2003 expenditures of $624.1M. If schools could save 1% statewide, then the savings would be about $6.9 M annually. The most costly type of insurance purchased by schools is health insurance, which makes up about 92% of all insurance costs. Schools may have some problems jointly purchasing health insurance since the health plans between schools may differ.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance, State Board of Accounts.

Local Agencies Affected: Local Schools.

Information Sources: Department of Education Biannual Financial Reports.

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